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FOR ADMINISTRATIVE USE

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Finance Division
St. Louis 2, Missouri

CLASSIFICATION OF REA ACCOUNTS

Text No. 14
(Revised)

1. INTRODUCTION

The Manual of Accounts prescribed for REA borrowers is based on the Federal Power Commission Uniform System of Accounts.

2. ACCOUNT NUMBERS AND NAMES

The account classification includes a descriptive title as well as a number for each account. Use is made of decimals in connection with the account numbers in order to provide elasticity. For example, Account No. 103 - Construction Work in Progress is subdivided into two or more accounts, such as:

- 103.1 - Construction Work in Progress - General
- 103.2 - Construction Work in Progress - Special Construction
- 103.3 - Construction Work in Progress - Force Account
- 103.4 - Unclassified Electric Plant in Service

To provide further analysis it may be desirable to subdivide Account 103.3 into two accounts, namely:

- 103.3-A - Construction Work in Progress - Member Service Extensions
- 103.3-B - Construction Work in Progress - Force Account

At this point it might be well to mention that it is important to become familiar with account titles and account numbers in order to perform the bookkeeping functions for REA borrowers with maximum efficiency.

The selection of account numbers for the various accounts is based on a logical plan to provide easy reference. For instance, the 100 series of accounts represents asset and deferred debit accounts; the 200 series contains liability, net worth, and reserve accounts; the 300 series embraces electric plant accounts; etc.

3. DISCUSSION OF ACCOUNTS

The accounts in the general ledger are arranged in numerical order. For the purpose of discussion in this text, they are segregated into the following classifications:

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BALANCE SHEET ACCOUNTS

ASSETS AND OTHER DEBITS:

- Investment and Fund Accounts
- Current and Accrued Assets
- Deferred Debits
- Electric Plant Accounts

LIABILITIES AND OTHER CREDITS:

- Current and Accrued Liabilities
- Deferred Credits
- Long-Term Debt

RESERVES:

- Reserve for Depreciation of Electric Plant
- Reserve for Uncollectible Accounts
- Other Reserves

NET WORTH:

- Memberships Issued
- Memberships Subscribed
- Contributions
- Surplus (Deficit)

REVENUE AND EXPENSE ACCOUNTS

- Operating Revenues
- Operating Expenses
- Other Income
- Income Deductions

Details on the use of each account and subdivisions thereof are contained in the "REA Manual of Accounts," which is made available to every REA-financed system. It is anticipated that the REA Manual of Accounts will be used as a reference in connection with the study of this course. The following discussion will be of a general nature.

A. ASSETS

(1) Investment and Fund Accounts

- 110 - Other Physical Property
- 111 - Investments in Associated Companies
- 112 - Other Investments
- 114.1 - Long-Term-Debt-Fund Cash - Federal Agencies
- 114.2 - Renewal-and-Replacement-Fund Cash
- 114.3 - Other-Special-Funds Cash

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The first three classifications are established for the purpose of (a) indicating the cost of other physical property not used in utility service, (b) book cost of investments in securities in associated companies held as long-term investments, and (c) book cost of investments or advances to non-associated companies which are not of a temporary nature.

The 114 series of accounts includes all cash or investments set aside for (a) 114.1, liquidation of long-term debt; (b) 114.2, providing funds for contingencies such as repairs of plant damaged by storms; and (c) 114.3, other purposes.

(2) Current and Accrued Assets

- 120 - Cash
- 121 - Special Deposits
- 122 - Petty Cash
- 123 - Temporary Cash Investments
- 124 - Notes Receivable
- 125 - Accounts Receivable
- 127 - Membership Subscriptions Receivable
- 128 - Interest Receivable
- 129 - Rents Receivable
- 131 - Materials and Supplies - Electric and Resale
- 132 - Prepayments
- 133 - Other Current and Accrued Assets

These accounts deal with those types of assets which it is anticipated will be converted into cash within a period of one year or less. It will be noted that some of the current and accrued asset accounts are already in the form of cash or cash investments. It will be further noted that Account 124 - Notes Receivable, may contain an amount that is due and payable within a period of one year and also an amount that may be due within a longer period, such as a note due and payable beyond the period of a year. The balance in Account 125 - Accounts Receivable, represents accounts that are intended to be converted into cash through the collection of indebtedness. It should be further noted that Account 132 - Prepayments, may contain amounts that are to be absorbed as part of future operating expense within a period of one or more years. In connection with Account 132 - Prepayments, it should be understood that any prepayments or advance payments to be applied against long-term debt should be considered for balance sheet purposes as deductions from Long-Term Debt - 213.

(3) Deferred Debits

- 140 - Unamortized Debt Discount and Expense
- 141 - Extraordinary Property Losses
- 142 - Preliminary Survey and Investigation Charges
- 144 - Retirement Work in Progress
- 145 - Other Work in Progress
- 146 - Other Deferred Debits

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Under Deferred Debits are included accounts which are not to be absorbed in any particular accounting period, the total amount being applicable to one or more accounting periods. Deferred Debits may include assets and items of an expense nature to be written off over subsequent accounting periods. Account 142 - Preliminary Survey and Investigation Charges, will contain charges for disbursements made prior to actual construction and are known as preallotment items. In the event the particular section of line is determined feasible then the costs of preliminary surveys and investigations are included as part of the cost of the section of line and are capitalized. If the section is not constructed, these charges should be written off to Surplus.

(4) Electric Plant Accounts

- 100.5 - Electric Plant Acquisition Adjustments
- 103 - Construction Work in Progress
- 108 - Other Utility Plant

Intangible Plant

- 301 - Organization
- 302 - Franchises and Consents
- 303 - Miscellaneous Intangible Plant

Production Plant*

Internal Combustion Engine Production

- 330 - Land and Land Rights
- 331 - Structures and Improvements
- 332 - Fuel Holders, Producers and Accessories
- 333 - Internal Combustion Engines
- 334 - Generators
- 335 - Accessory Electric Equipment
- 336 - Miscellaneous Power Plant Equipment

Transmission Plant*

- 340 - Land and Land Rights
- 341 - Clearing Land and Rights-of-way
- 342 - Structures and Improvements
- 343 - Station Equipment
- 344 - Towers and Fixtures
- 345 - Poles and Fixtures
- 346 - Overhead Conductors and Devices

Distribution Plant

- 350 - Land and Land Rights
- 351 - Structures and Improvements
- 352 - Station and Storage Battery Equipment
- 354 - Poles, Towers and Fixtures
- 355 - Overhead Conductors and Devices
- 358 - Line Transformers
- 359 - Services

*For other Generating and Transmission instructions, refer to Federal Power Commission Uniform System of Accounts.

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Distribution Plant (Cont.)

- 360 - Meters
- 361 - Installations on Consumers' Premises
- 362 - Leased Property on Consumers' Premises
- 363 - Street Lighting and Signal Systems

Other Electric Plant Accounts

- 391 - Electric Plant Purchased
- 392 - Electric Plant Sold

Under this caption are included all electric plant accounts such as Intangible, Production, Transmission, and Distribution accounts.

REA Systems generally use the 300 series in the General Ledger to reflect analysis of plant cost instead of Account 100.1 - Electric Plant in Service. The intangible plant accounts, 301 - Organization Costs and 303 - Miscellaneous Intangible Plant, consist of items such as initial legal fees and miscellaneous expense incurred in connection with the organization of an electric cooperative. Legal expense incurred by the merger or consolidation of a cooperative or corporation will also be charged to Account 303. Payments for franchises and consents affecting the acquisition of any type of electric plant are charged to Account 302 - Franchises and Consents. The intangible plant accounts are used by all systems irrespective of whether they are transmission, generating, or distribution systems.

Provision is made for the acquisition of any type of electric plant such as a production, transmission, or distribution system acquired as an operating unit, and the cost is recorded in Account 391 - Electric Plant Purchased, pending the final distribution of the purchase price to the appropriate accounts. In the event that any part of the electric plant which constitutes an operating unit is sold, the sale value for this type of transaction is recorded in Account 392 - Electric Plant Sold, pending the completion of the proper accounting for the transaction.

(5) General Plant Accounts

- 370 - Land and Land Rights
- 371 - Structures and Improvements
- 372 - Office Furniture and Equipment
- 373 - Transportation Equipment
- 374 - Stores Equipment
- 375 - Shop Equipment
- 376 - Laboratory Equipment
- 377 - Tools and Work Equipment
- 378 - Communication Equipment
- 379 - Miscellaneous Equipment

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These accounts are charged with the cost of land and office buildings; office furniture and equipment; transportation equipment such as automobiles, trucks, trailers, etc.; tools and work equipment; stores, shop and laboratory equipment; and miscellaneous equipment used in the operation of a system. They are used by all types of operating systems.

B. LIABILITIES AND OTHER CREDITS

(1) Current and Accrued Liabilities

- 220 - Notes Payable
- 222 - Accounts Payable
- 225 - Matured Long-Term Debt
- 226 - Matured Interest
- 227 - Consumers' Deposits
- 228 - Taxes Accrued
- 229 - Interest Accrued
- 230 - Other Current and Accrued Liabilities

Included under Current and Accrued Liabilities are those items representing obligations which are generally payable within a period of one year or less. These accounts may include liabilities which are due beyond a period of one year. As an example, Account 229 - Interest Accrued, may include interest due in less than a year and interest due beyond the period of a year. Under this classification there are also included liabilities for which payment is not contemplated in the immediate future. As an example, the liability represented by Account 227 - Consumers' Deposits, is included under this classification inasmuch as it is in the nature of a demand deposit. It would be proper in the balance sheet to distinguish between items due and payable within a year and those due in a longer period of time which are contained in the same account.

(2) Deferred Credits

- 241 - Consumers' Advances for Construction
- 242 - Other Deferred Credits

Under deferred credits there should generally be included those items in the nature of income which are not entirely applicable to any one accounting period, but which should be applied over the periods in which the benefits accrue. These may also include amounts paid in advance for consumers' energy bills, a portion of which is to be applied each month as energy bills become due.

(3) Long-Term Debts

- 213 - Long-Term Debt - REA Construction and Installation
- 135 - Allotment Available from REA - Construction and Installation

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This classification represents the liability for advances made by REA to the system. These advances consist of amounts used for construction purposes and are credited to Account 213.1 - Long-Term Debt - REA Construction. Advances made for wiring and plumbing purposes are credited to Account 213.2 - Long-Term Debt - REA Installation. These accounts may contain obligations which are due in less than a year. For balance sheet purposes only, the amounts may be segregated as to the total amount due within a year and that due beyond a year.

Account 135 - Allotment Available from REA, must be considered in determining the amount of long-term debt for balance sheet purposes. Account 213.1 includes the full amount of the allotments before advances are made. At the time Account 213.1 is credited, Account 135.1 is debited for the full amount of the allotments. As advances are received from REA, the Construction Cash Account is debited and the Allotment Available account is credited. The balance in Account 135.1 - Allotment Available, will reflect the amount of unadvanced funds on the allotments. Account 229.4 - Interest Accrued - Deferred - REA Construction, represents interest charges on advances made and is also considered a part of the long-term debt. As stated under "Current and Accrued Liabilities," this account may contain both current and long-term debt items. Advance payments to REA on long-term obligations, commonly referred to as "cushions-of-credit," in reality represent a reduction of the long-term debt, but are classified under current and accrued assets since they may be applied against obligations maturing during a current period. For balance sheet purposes, however, advance payments on long-term debt are deducted from the gross obligation.

In order to determine the true long-term obligation, the following formula is used:

	213.1 - Long-Term Debt - REA Construction	\$100,000.00
Add	229.4 - Interest Accrued-Deferred - REA Construction	6,000.00
		<u>\$106,000.00</u>
Less	132.3 - Prepayments on Long-Term Debt - REA Construction	\$ 5,000.00
	135.1 - Allotment Available from REA - Construction	<u>10,000.00</u>
	Total Construction Obligation	\$ 15,000.00
		<u>\$ 91,000.00</u>
Add	213.2 - Long-Term Debt - REA Installation	1,000.00
	Total Long-Term Debt Obligation	<u>\$ 92,000.00</u>

C. RESERVES

- 250 - Reserve for Depreciation of Electric Plant in Service
- 251 - Reserve for Amortization of Limited-Term Electric Investments
- 252 - Reserve for Amortization of Electric Plant Acquisition Adjustments
- 253 - Reserve for Depreciation and Amortization of Other Property
- 254 - Reserve for Uncollectible Accounts
- 258 - Reserve for Amortization of Long-Term Debt

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Under this heading are included reserves for depreciation of tangible plant accounts, reserves for uncollectible consumer accounts, and other miscellaneous reserves.

The depreciation reserve or allowance, to the extent that it measures a careful and reasonable estimate of accrued depreciation, should be interpreted not as a true reserve such as may be provided by an appropriation of surplus, but rather as a valuation account, reducing the gross book value of the various assets to which it applies.

The reserve established for uncollectible consumers' accounts represents an estimate of losses in connection with consumers' accounts receivable.

Some systems may find it necessary to open "funded reserves"; that is to say, the reserve account may be offset by actual cash deposits and/or investments in securities.

D. NET WORTH

- 200 - Memberships Issued
- 204 - Memberships Subscribed but Unissued
- 265 - Contributions in Aid of Construction and for Debt Service
- 270 - Capital Surplus
- 271 - Earned Surplus
- 401 - Miscellaneous Credits to Surplus
- 414 - Miscellaneous Debits to Surplus

(1) Investment of Members

Membership fees may be paid either in full at the time of subscription or on an instalment basis. Where payment is in full, Membership Certificates should be issued evidencing that fact.

Memberships for which certificates have been issued are recorded in Account 200 - Memberships Issued. Memberships subscribed for and not fully paid may be recorded by a debit to Account 127 - Membership Subscriptions Receivable and a credit to Account 204 - Memberships Subscribed but Unissued. Periodic payments are then credited to Account 127 until the subscription is paid. Then, with the approval of the board of directors, a certificate is issued and a journal entry is made debiting Account 204 - Memberships Subscribed but Unissued, and crediting Account 200 - Memberships Issued.

(2) Contributions in Aid of Construction

This account should include the value of those items, such as cash, labor, or material, which are contributed in their entirety.

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as payment of construction costs. As an example, if a member should build and donate all or a part of an extension, the value of the portion donated would be credited to this account.

(3) Consumers' Contributions for Debt Service

This account should include all amounts billed to consumers as "amortization charges" for the express purpose of servicing long-term debt.

(4) Capital Surplus

Included in this account should be cash donated or the value of property arising from other than construction activities, such as land donated as site for an office building and any other contributions received which are not related to construction and do not create obligations for repayment. There may also be included any amounts arising from the cancellation of membership certificates when cash refunds are not made to the members.

(5) Earned Surplus

This account should include all surplus derived from earnings, whether directly or indirectly connected with operations.

(6) Miscellaneous Credits to Surplus Miscellaneous Debits to Surplus

The purpose of these accounts is to provide analyses of all debits and credits during the accounting period which directly affect the surplus of the organization.

At the time of closing the books for the accounting period, the balances of these accounts should be transferred to Account 271 - Earned Surplus.

E. REVENUE AND EXPENSE ACCOUNTS

The operating and non-operating revenue and expense accounts are closed directly to Account 271 - Earned Surplus, at the end of the accounting period.

(1) Operating Revenue Accounts

(a) Sale of Electric Energy

600 - Residential Sales

601 - Rural Sales

601.1 - Rural Sales - Farm

601.2 - Rural Sales - Non-Farm

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(a) Sale of Electric Energy (Cont.)

- 602 - Commercial and Industrial Sales
 - 602.1 - Commercial and Industrial Sales - Small
 - 602.2 - Commercial and Industrial Sales - Large
- 603 - Public Street and Highway Lighting
- 604 - Other Sales to Public Authorities
- 605 - Sales to Other Electric Utilities
- 606 - Sales to Other REA Systems
- 608 - Other Sales

(b) Other Electric Revenues

- 610 - Rent from Electric Property
- 612 - Consumers' Forfeited Discounts and Penalties
- 615 - Miscellaneous Electric Revenues

As indicated above, Operating Revenue accounts are segregated to show revenue from the Sale of Electric Energy and other Electric Revenue. It is believed the titles of the various accounts are self-explanatory, except perhaps Account 615 - Miscellaneous Electric Revenues. This account shall include revenue derived from electric operations but not included in any of the foregoing Revenue Accounts. It should include such items as fees and charges for changes, connections and disconnections of services, profits on sales of material and supplies not purchased for resale, etc. The method of recording sales in these accounts will be explained fully in a subsequent text.

(2) Operating Expense Accounts

(a) Production Operation Expenses - Internal Combustion

- 727 - Operation, Supervision and Engineering
- 728 - Station Labor
- 729 - Engine Fuel
- 730 - Supplies and Expenses

Accounts 727 to 730, inclusive, reflect the cost of operating a production plant. Included in these accounts are such expenses as salaries, transportation, and traveling and incidental expenses of engineers and other employees engaged in supervising and directing the operation of the generating plant. Salaries of employees engaged in the delivery of fuel to the engine; salaries of employees operating electric equipment, including switchboards, feeder terminal boards, generators and other equipment; cost of engine fuel such as gas, oil, kerosene and gasoline used in internal combustion engines; and other supplies used and expenses incurred in the operation of the generating station, such as water, dynamo brushes, lubricants, gauge glasses, gaskets, packing, hand tools, washers, etc., are also provided for.

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(b) Production Maintenance Expenses - Internal Combustion

- 731 - Maintenance Supervision and Engineering
- 732 - Maintenance of Structures and Improvements
- 733 - Maintenance of Fuel Holders, Producers and Accessories
- 734 - Maintenance of Generating and Electric Equipment

These accounts include the cost of labor, materials, overhead, and other expenses incurred in the maintenance of internal combustion engines, power generating stations, buildings, structures, fixtures and improvements, storage tanks, generators, and other internal combustion generating plant equipment.

(c) Other Production Expenses

- 738 - Purchased Power
- 740 - Other Expenses

Account 738 - Purchased Power reflects the cost of electricity purchased for resale. The records should show by months the demands and demand charges and the kilowatt-hours and prices thereof under each purchase contract.

(d) Transmission Operation Expenses

- 743 - Operation Supervision and Engineering
- 745 - Operation of Stations
- 746 - Operation of Lines

Accounts 743 to 746 reflect the cost of operating the transmission plant. Included in these accounts are salaries; transportation; station labor; station supplies; and expenses incurred in the operation of transmission substations and switching stations, such as building service, communication service, lubricants and waste, meter supplies, station records, office supplies, etc.

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(c) Transmission Maintenance Expenses

- 747 - Maintenance Supervision and Engineering
- 749 - Maintenance of Station Equipment
- 750 - Maintenance of Transmission Lines

Accounts 747 to 750 reflect the expenses incurred in the maintenance of transmission systems, such as salaries, transportation, materials, and other miscellaneous expenses.

(f) Miscellaneous Transmission Expenses

- 753 - Rents

Account 753 includes all rents of property of others used, occupied, or operated in connection with the transmission system, including payments for the use of public or private lands, reservations for transmission line rights-of-way, and also amounts paid to others for transmission of energy for the corporation.

(g) Distribution Operation Expenses

- 756 - Operation Supervision and Engineering
- 759 - Operation of Stations
- 761 - Operation of Lines
- 762 - Services on Consumers' Premises
- 763 - Operation of Street Lighting and Signal Systems

Accounts 756 to 762 include the cost of material, supplies, and other expenses incurred in the operation of the distribution system, including labor and other miscellaneous expenses. In these accounts are recorded salaries and wages of employees engaged in the operation of the distribution system, including labor costs incident to resetting, changing, testing, or re-locating meters and transformers; trimming trees; inspecting and testing lightning arresters; conducting voltage surveys; patrolling and testing distribution system grounds.

Account 763 - Operation of Street Lighting and Signal Systems, includes the cost of labor and materials used and expenses incurred in the operation of overhead street lighting and signal systems, including traffic, fire, and police signal systems.

(h) Distribution Maintenance Expenses

- 764 - Maintenance Supervision and Engineering
- 765 - Maintenance of Structures and Station Equipment
- 768 - Maintenance of Lines
- 770 - Maintenance of Line Transformers and Devices
- 771 - Maintenance of Services
- 772 - Maintenance of Meters
- 773 - Maintenance of Installations and Leased Property
on Consumers' Premises
- 775 - Maintenance of Street Lighting and Signal Systems

Accounts 764 to 773 include the labor, cost of material used and expenses incurred in the maintenance of the distribution system, including stations. The following list will be helpful in classifying maintenance expenses:

1. Cost of maintaining poles, crossarms, braces, guys and other pole supports, towers, tower fixtures, and all distribution structures, conductors, insulators, line devices, meters, transformers, and services.
2. Cost of renewing oil, repainting and rewinding transformers, as well as maintaining lightning arresters installed for transformer protection, and the expense of re-fusing transformer cut-outs.
3. Rearranging and changing location of property not retired.
4. Replacing and repairing minor plant items.
5. Restoring the condition of property damaged by floods, storms, fire, breakage, accidents or other casualties, wear and tear, decay, or action of the elements.
6. Routine work to prevent trouble such as pulling up slacks, cleaning and adjusting equipment, tightening guys, raking guy stubs, and straightening poles and crossarms.
7. Testing for, locating, and clearing trouble; and inspecting and testing after repairs have been made.

Account 775 - Maintenance of Street Lighting and Signal Systems, includes the cost of material, labor, and other expenses incident to the maintenance of signal systems.

(i) Miscellaneous Distribution Expenses

- 776 - Rents

This account includes all the rents of property of others used, occupied, or operated in connection with the distribution system, including payments for the use and occupancy of public lands and reservations for distribution line rights of way.

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(j) Consumers' Accounting and Collecting Expenses

- 780 - Meter Reading, Accounting and Collecting
- 783 - Uncollectible Accounts
- 784 - Rents

Account 780 - Meter Reading, Accounting and Collecting, includes the cost of labor, supplies, and expenses incurred in connection with consumers' contracts, orders, inquiries and accounts, and in meter reading, billing and collecting.

Account 783 - Uncollectible Accounts, is to be charged with the expense of establishing and maintaining a reserve to provide for losses from uncollectible electric accounts.

Account 784 - Rents, is to be charged with rents paid or payable for use of property of others in connection with consumers' accounting and collecting.

(k) Promotional Expenses

- 787 - Utilization

This account provides for costs and expenses (including salaries) of personnel, and materials and supplies used in connection with contacting non-consumers for the purpose of inducing them to take electric service; costs and expenses of personnel in connection with inducing consumers to increase load consumption by installing electrical devices or appliances. No salaries, costs or expenses should be charged to this account in connection with any activity, the primary purpose of which is to sell electrical equipment, devices or appliances.

(l) Administrative and General Expenses

- 791 - General Office Salaries
- 793 - General Office and Miscellaneous Expense
- 795 - Special Services
- 797 - Regulatory Commission Expenses
- 798 - Insurance
- 799 - Injuries and Damages
- 800 - Employees' Welfare Expenses and Insurance
- 801.1 - Directors' Fees and Mileage
- 801.2 - Dues Paid Associated Organizations
- 801.3 - Donations
- 801.4 - Miscellaneous General Expenses
- 802 - Maintenance of General Property
- 803 - Rents
- 810 - Stores Expense

Accounts 791 to 810 are provided for expenses of an administrative or general nature which are not directly chargeable to a specific electric function. The account titles are generally self-explanatory.

(m) Other Operating Expense Accounts

- 503 - Depreciation
- 504 - Amortization of Limited-Term Electric Investments
- 505 - Amortization of Electric Plant Acquisition Adjustments
- 506 - Property Losses Chargeable to Operations
- 507 - Taxes
- 903 - Transportation Expenses - Clearing

Accounts 503 and 507 should be subdivided in order to reflect the various classes of plant depreciation or the types of tax expense.

Account 504 provides for the amortization of limited-term investments such as limited-term franchises, licenses, rights-of-way, and patent rights. If the intangible assets amortized apply to different functional types such as distribution and general plant, a separate account is opened for each. Charges to this account are concurrently credited to account 251, Reserve for Amortization of Limited-Term Electric Investments.

Account 505 includes the amortization of amounts carried in account 100.5, Electric Plant Acquisition Adjustments. The amounts amortized are debited or credited to this account (505) depending on whether account 100.5 has a debit or a credit balance; the contra entry is to account 252, Reserve for Amortization of Electric Plant Acquisition Adjustment.

Account 506 is charged with the amount credited to account 141, Extraordinary Property Losses. The amount amortized and the use of the accounts are subject to the approval of the Finance Division of REA.

Account 903 includes the supervision and labor costs and other expenses incurred in the operation and maintenance of all transportation equipment, including direct taxes; depreciation; garage rent; fuel; lubricants; all types of insurance in connection with the equipment; license fees; tires; tubes; chains; repairs; and other miscellaneous items. It is not practicable to charge disbursements for transportation expenses to the appropriate accounts at the time they are made. This account should be cleared monthly by prorating the cost on a mileage basis to the operating, maintenance, and construction accounts. The data used as a basis for proration are obtained from the monthly summary of transportation expenses which is prepared from information on

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the daily report submitted by the employee using the transportation equipment. Subsidiary records showing the cost of operating each vehicle should be maintained. The total miles traveled divided into the cost of operating each vehicle gives the rate per mile to be used in making the distribution of cost to the appropriate accounts.

(3) Other Income and Income Deductions

- 520.1 - Revenue from Merchandising Sales
- 520.2 - Merchandising Revenue Deductions
- 524.1 - Interest on Securities Owned
- 524.2 - Other Interest Revenues
- 525 - Revenues from Sinking and Other Funds
- 526 - Miscellaneous Nonoperating Revenues
- 527 - Nonoperating Revenue Deductions
- 530 - Interest on Long-Term Debt
- 531 - Amortization of Debt Discount and Expenses
- 535 - Other Interest Charges
- 536 - Interest Charged to Construction - Credit
- 538 - Miscellaneous Income Deductions
- 540 - Miscellaneous Reservations of Net Income

Account 520.1 includes revenue from merchandising sales which includes amounts received from the sale of electrical appliances, equipment, etc., as well as amounts received for servicing such equipment. (Revenue from the sale of material and supplies not ordinarily purchased for resale is accounted for through Account 615, Miscellaneous Electric Revenues).

Account 520.2 shall be charged with all costs and expenses incurred by the system on account of sales of appliances, equipment, etc., including expenses incurred in servicing such appliances and equipment. This includes that portion of salaries, general office expenses (rent, lighting, heat, etc.) which should be prorated to the various purposes in an equitable manner.

Subdivisions of Account 524 - Interest Revenues, provide for interest received on various types of securities owned, including consumers' installation notes.

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The account for revenues from sinking and other funds (Account 525) includes interest or dividends from cash or securities held in Accounts 114.1, 114.2 and 114.3.

Accounts 526 - Miscellaneous Nonoperating Revenues and 527 - Nonoperating Revenue Deductions, provide for those income and expense items which are not embraced by other accounts.

Accounts 530 through 538 include interest on long-term debt; interest on demand or one-year notes, open accounts, etc.; and all other income deductions not provided for elsewhere.

Account 540 shall include reservations of net income, such as may be required under the terms of mortgages, deeds of trust, orders of courts, contracts, or other agreements, and other reservations of net income.

